

DRUG STORE NEWS[®]

Vol. 11/No. 1 Our 61st year of serving chains, wholesalers and high-volume independents Published by Lebhar-Friedman Inc. Jan. 9, 1989



Signing agreement are Ira Shain, ACDS president, seated left, and Phil Weinstein, head of Affiliated. Standing, from left, are lawyers Martin M. Lore, Paul Feuerman and Keith Moskowitz.

Merged buying group has 103-chain clout

Affiliated/Associated Drug Stores is born

NEW YORK — The chain drug industry's two buying groups signed a merger agreement here last month, creating a single organization representing 103 drug chains with 10,800 stores throughout the United States and Canada.

The new group, called Affiliated/Associated Drug Stores, will be headed by Philip

Weinstein, who was president of Affiliated Drug Stores before the merger. Ira Shain, president of the Associated Chain Drug Stores, the other buying group, was set to retire on Jan. 1.

Jack E. Fruth, president of Fruth Pharmacy, a 10-store chain based in Point Pleasant, W. Va., will be the first chair-

man of the new organization.

Weinstein said the new company will retain the best promotional and informational programs of each group, including Associated's coupon book and calendar programs and Affiliated's information exchanges.

Both Weinstein and Shain
See Merger, page 41

Rite Aid sees 20% earnings drop

Newly-bought stores cited; a rebound is anticipated

SHIREMANSTOWN, Pa. — Rite Aid attributed an anticipated 20-percent drop in third quarter earnings partly to weak performance at some SuperRx, Gray and Drug Fair stores it acquired last year.

The chain also cited other factors for the expected earnings fall:

- Increased expenses were incurred to aggressively roll out POS systems and remodel acquired stores.

- ADAP auto parts stores will post a slight profit, but a large drop from last year's comparable quarter.

- Earnings slid in the Sera-tec plasmapheresis center business.

- Video rental volume, hurt by competition, declined 16 to 18 percent, analysts estimated, and could cost as much

Chain names 3 as Roger Grass leaves

SHIREMANSTOWN, Pa. — Rite Aid has promoted three executives to fill vacancies created when Roger Grass left to pursue other opportunities.

Grass, 33, said he faced a "personal decision" to "move out on my own or stick it out with Rite Aid." His brother, Martin, is remaining as executive vp.

Grass was handling increasing duties this past year. As senior vp-merchandising, he also assumed the posts of senior vp-purchasing and general manager of ADAP.

As he explores new retailing endeavors,

as two to three cents in profit in the third quarter.

Sales in the acquired drug stores, which were expected to be flat compared to last year's quarter, will instead be

Grass has the comfort of owning 540,000 shares of Rite Aid stock.

Grass's title won't be recreated. Instead, his duties will be spread among others, a company spokesperson said.

Gerald Cardinale will continue as vp-merchandising. Kevin Mann, formerly assistant vp-purchasing, was promoted to vp-purchasing. And E. Tony Montini, formerly assistant vp purchasing-administrative, takes over the vp purchasing-administrative post.

Also, John Foster, a Rite Aid business analyst, was named general manager of ADAP.

down 9 percent, Rite Aid said.

Reaction to the announcement from the bellwether chain initially drove the stock price down six dollars, to \$29 a share.

"It's shaken up a lot of people. Drug retailers tend to be fairly consistent performers," said Kimberly Walin, an analyst at Prudential-Bache,

See Rite Aid, page 41

Albertson's to buy 8 Texas Tom Thumbs

BOISE, Idaho — Albertson's has agreed to buy eight Tom Thumb Food/Drug combination stores in Texas from Cullum Companies.

Six of the stores are in Austin, one is in Longview, and another in Tyler, Texas.

The purchase will give Albertson's seven stores in the Austin market. More will be added as appropriate sites are found, spokesman Craig Olson told *Drug Store News*.

Five of the acquired stores are currently food-drug combination stores, two are super food stores and one is a conventional supermarket. It is conservatively estimated the eight stores generate \$150 million-plus annually.

Seven of the eight stores have pharmacies, and if Albertson's runs true to form, they may be able to build that business to exceed 1,000 scripts per store per week. Seven of the acquired stores also have strong cosmetics and toiletries departments, and Albertson's will continue to grow that part of the business.

"We put a lot of emphasis on cosmetics," Olson said. Albertson's, the U. S.'s sixth largest food merchant, operates 487 stores in 17 states, including 124 combos.

The transaction, subject to review by the Department of Justice and the Federal Trade Commission, is expected to close by mid-January.

LATE NEWS

- TWINSBURG, Ohio — Revco D.S. sustained a \$17.9 million net loss in its second quarter ended Nov. 12, 1988, but managed to generate operating cash flow of \$13.8 million in the first six months of the fiscal year. The loss reflected the continuing impact of "extraordinary costs and temporarily low inventory levels" arising from Revco's bankruptcy last July 28, according to chief financial officer Greg Raven.

- VALLEY FORGE, Pa. — The management-led investor group buying Alco Health Services Corp. has gained a majority of shares in its \$31-a-share tender offer. As of Dec. 21, 10.6 million shares had been tendered. The \$500 million-plus offer is for 15.3 million shares, or 92 percent of total outstanding shares.

- DETROIT — A&P has finalized a deal to acquire Borman's Inc. for \$75.6 million. Borman's operates 80 Farmer Jack supermarkets in and around the Detroit market, including 37 with pharmacies. A Borman's spokesman said it was too early to speculate on what changes A&P would make.

Perry Drug cuts 3rd-party co-payment discounts to preserve its profitability

By Barbara White
and
James Frederick

PONTIAC, Mich. — Perry Drug Stores has struck a risky blow for higher margins at the prescription counter by eliminating the co-pay discounts it has offered its third-party customers for most of the past two decades. Other chains have been quick



Winkelman

to follow.

"We are faced with eroding margins and the need to run a profitable business," said Mike Winkelman, vp-pharmacy operations at Perry. Winkelman said with the cost of prescription products

and the cost of operations rising, and no adjustments of reimbursement rates by the
See Perry, page 41

NEWS IN BRIEF

Pay 'n Save converting deep discounter

KANEONE, Hawaii — Pay 'n Save is converting its only deep discount drug store, Price Fighter, into a traditional drug store format here this month.

The store originally opened as a Pay 'n Save store, but converted to a deep discounter approach several years ago, when conventional stores changed their merchandising position by bringing in more close-out and import merchandise.

Now under Thrifty, Pay 'n Save is fine-tuning much of its operation. Dick Eils, president of Thrifty and the division, said the 25,000-square-foot Price Fighter will have "a broader, more appealing selection of merchandise" when it is reopened. The company now operates 13 drug stores on Oahu, and has plans to open a 14th site on the island in August.

McKesson sells last liquor subsidiary

SAN FRANCISCO — McKesson Corp. has gone dry, selling its last alcoholic beverage company.

The divestiture of Mohawk Liqueur to a newly-formed company for an undisclosed amount keeps the promise McKesson made last June to sell off all its liquor subsidiaries. The combined businesses accounted for \$46 million of sales during the fiscal year ended last March 31.

McKesson is now left with its drug and general merchandise distribution operations, prescription drug processing business, bottled water company, and car care products division.

Eckerd ends investment in Ross stores

NEWARK, Calif. — Ross Stores said will buy back the remaining 432,000 shares of common stock held by Jack Eckerd Corp.

As a result of the privately arranged transaction with Jack Eckerd Corp., John W. Boyle, senior vp-finance and administration for the Jack Eckerd Corp., stepped down as director of Ross Stores.

Ross Stores said it plans to finance the approximate \$5 million purchase price using existing cash balances. The repurchased stock represents about 2 percent of the company's outstanding stock.

Drug Emporium eyes investor relations

COLUMBUS, Ohio — Drug Emporium has retained Investor Relations Consultants to provide a broad range of investor relations services.

Philip I. Wilber, chairman and founder of Drug Emporium, which went public last June 30, said IRC will help the company establish and maintain regular communications with professional investors, and produce the firm's annual and quarterly reports to shareholders.

Drug Emporium operates or franchises 164 stores in 26 states with revenues of \$900 million annually. Traded on NASDAQ under the symbol DEMP, trading has ranged from \$15 to \$18 per share.

Austin Drugs donates to children's fund

EAST MEADOW, N. Y. — Austin Drugs, recognizing the people in this country in need of food, clothing and shelter, made a donation of money to "Save The Children" on behalf of its employees, customers, vendors and friends.

Gary Spielfogel, Austin's president, said the donation was made in lieu of holiday greetings and gifts of thanks to the chain's friends and associates. The endeavor will be an ongoing program.

Revco bows toll-free Pa. number

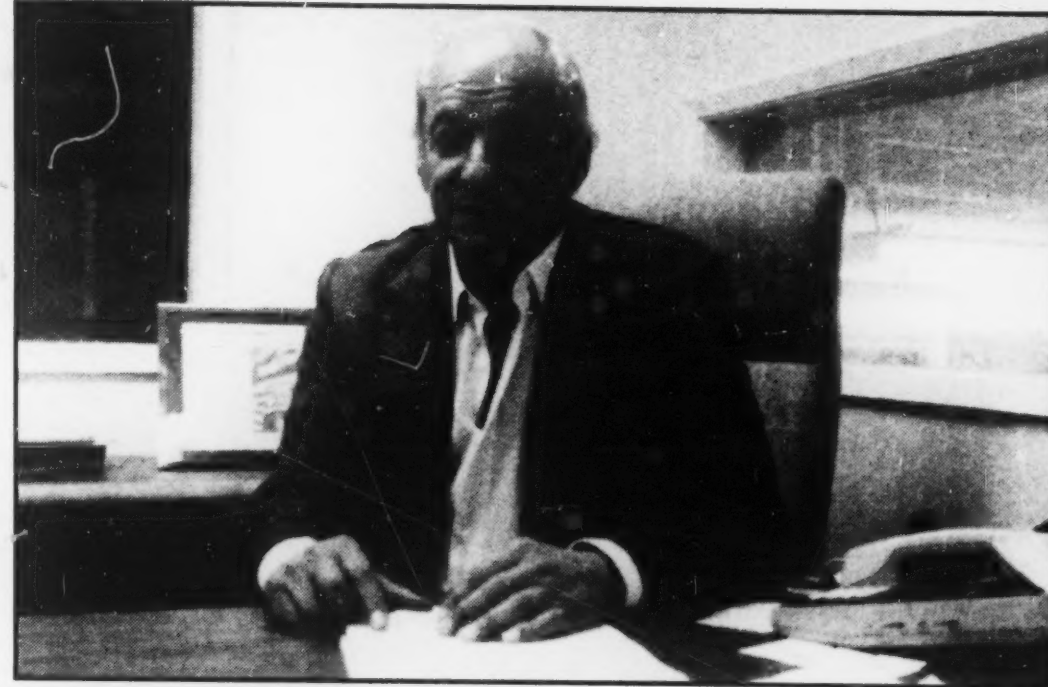
TWINSBURG, Ohio — Revco D.S. is offering a toll-free customer service number for shoppers in its 82 Pennsylvania stores as part of its "A Friend for Life" customer service buildup. Customers can call Pat Morgan, Office of the President, at 1-800-77-REVCO between 8:30 a.m. and 5 p.m. (EST) weekdays with questions or suggestions. The response in Pennsylvania will determine whether Revco goes chainwide with the toll-free line.

Sloban's sharp realty eye key to Drug Barn expansion

COLMA, Calif. — Four-store deep discounter Drug Barn plans to open two stores in its home market of the San Francisco Bay area next year.

The secret of its growth over its five-year life is a sharp grounding in real estate, president Milt Sloban told *Drug Store News*. He should know; he's been in real estate since the 1960s, when, running Drug Mart out of Detroit, he sought to bring a group of doctors closer to one of his stores. Sloban soon found himself a co-developer of a medical office building.

By the early '80s, he found
See *Drug Barn*, page 41



Milt Sloban, president of Drug Barn, has plans to open two stores in the San Francisco Bay area next year.

Arbor Drugs continuing its roll

TROY, Mich. — If success in chain drug retailing can be measured by a lack of concern among a company's shareholders, Arbor Drugs must be in top form.

Arbor's executive team held their yearly get-together with shareholders Dec. 15, and it had to be one of the shortest, least-attended and most uneventful annual meetings in the history of corporate America. Indeed, the few shareholders who came out barely had time to sit down before the "meeting" was adjourned. No one had any questions.

"We held it to five minutes this year, folks," quipped Eugene Applebaum, Arbor's ebullient chairman, president and chief executive, at the end of the session. "That's two minutes off last year's record."

Applebaum and Max Ernst, executive vp/chief operations officer, insisted that the short, sparsely attended annual meetings Arbor has held since

it went public in April 1986 are a sure sign of success. "We must be doing something right, because nobody has any questions," said Ernst.

Arbor's continuing momentum lends credence to their optimism. The chain has parried its basic, pharmacy-oriented brand of drug store retailing into a string of successful sales and earnings reports and steady growth in store count. By the end of its current fiscal year next July, the chain will number 90 units in Michigan, Applebaum said.

Shareholders were also soothed by Arbor's recently released first-quarter results, which showed a 14.3-percent rise in net earnings, to \$1.6 million, and a 19.9-percent gain in net sales, to \$67.6 million, for the period ended Oct. 31. Comparable-store sales grew a healthy 10.7 percent as newer and acquired stores entered their second year under the Arbor banner.

Arbor's last fiscal year was marked by several mile-

stones. The chain boosted its pharmacy business to 34.6 percent of total sales, up from 25.2 percent three years ago. A technologically advanced distribution center—four times the size of the warehouse it replaced—opened last February. Arbor also established an on-line computer hookup with one of its biggest third-party contractors last year, cutting operating costs, and reformatting its cosmetics departments in stores to group products by brand instead of type.

In addition, Arbor is in the midst of an expansion program that will see the opening or acquisition of 10 to 15 new stores a year, Applebaum said.

As part of that growth, the chain cracked the Lansing, Mich., market in 1988, and boosted its share of the southeastern Michigan drug store market to 19.5 percent, from 17.1 percent the prior year, according to Metro Market Studies.

Manee named DrSN associate publisher

NEW YORK — Jill Manee has been promoted to associate publisher of *Drug Store News*, after serving as the publication's national sales manager the past three years.

During that period, *Drug*



Jill Manee

Store News has steadily increased pages, improved market share and expanded staff.

Her new position will now involve her in the newspaper's total operations, including retailer contact work, while managing the sales effort through a national sales force. She will continue to report to vp-publisher Jay Forbes.

The promotion positions

Manee for a future role as publisher within parent company Lebhar-Friedman Inc., while allowing Forbes to spend more time with industry leaders. Forbes said of Manee: "She has met every challenge asked of her, and done so in a highly spirited manner. Jill has shown imagination, perseverance and dedication, all of which equip her for an eventual publisher's position."

IN THIS ISSUE

Features

- Executives On the Move 3
- Trade show calendar 10

Trends

- Hot category buyer survey 13-34
- What's hot and why in consumables 36

Beauty Trends

- Beauty Beat 36

Pharmacy

- Ohio AIDS medicine fund opts for direct mail . 39
- Kaposi sarcoma drugs okayed 39
- 'Candy bar' helps lower cholesterol 39
- Cohen's Capsules 39

Departments

- Midwest Report 6
- People in the News 8
- Opinion
- In the Market 4
- Washington Perspective 4
- Finance 42

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (24 issues) \$19.50; two years \$35. Manufacturers and their representatives \$45; schools, libraries and all other out-of-field subscribers \$95. Single copy rate \$4. Foreign subscriptions: airmail only \$125 per year. Second-class postage paid at New York, N.Y. and additional mailing

offices. Copyright © 1989 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 11, No. 1

Jan. 9, 1989

TRENDS

How hot will 1989 be at drug chains? That depends in part on the success of categories cited by chain drug merchants and pharmacy directors as having the best growth prospects this year. Their favorites differ somewhat from last year's.

In *Drug Store News's* Hot Categories Survey of what drug chains expect to be the 10 strongest growth areas, sun care, baby care, greeting cards, paperback books, batteries and film won spots on the 1989 roster, bumping such categories as eye/lens care (see sidebar), reading glasses and nutritional supplements.

Family planning, especially condoms and home pregnancy test kits, tops the list for the second year in a row, and convenience foods, home office supplies and diagnostic test kits remain among the strongest contenders, in the estimation of this year's survey respondents.

Two dozen chains are represented in results of this survey, which garnered a 30-percent response rate.

Heightened public awareness of the need for condom protection and growing consumer acceptance of the low-priced and more accurate testing kits now on the market were factors that helped prompt three out of four respondents to favor the family planning department for outstanding growth (forecast to average 15.4 percent) in '89. Innovative new products, increased marketing of condoms to women and good margins also contributed to this category's appeal.

Snacks, candies and convenience foods were cited by 58 percent of survey respondents, with growth anticipated at 12.9 percent. Chains are aggressively promoting edible groceries as traffic builders, and more are adding mini-convenience-food departments as a way of maximizing the category.

Fifty-four percent of respondents cited sun care as deserving a place in the sun in the new year, forecasting an average growth of 15.2 percent. Protection for those exposed to lots of sun—outdoor workers, children and sports enthusiasts—is perceived as a consumer priority, in addition to high-SPF (sun protection factor) brands.

Despite mean competition from discounters and specialty chains, home office supplies continues to be a favorite with forecasters polled: More than half (54 percent) of respondents cited the category, predicting growth of 16.8 percent. Computer supplies is seen as a good segment for stores in university, high-tech industrial and metropolitan areas.

Soaring health care costs have moved increasing numbers of consumers to use

THE TOP

10

HOTTEST CATEGORIES

- Family Planning
- Snack Foods/Soft Drinks/Convenience Foods
- Sun Care
- Home Office Supplies
- Books
- Greeting Cards
- Home Diagnostic Tests
- Baby Care
- Batteries
- Film

home diagnostic test kits, and 46 percent of respondents saw this category as potentially hot, with 20.8 percent growth forecast for '89. Retailers say most products in the category are not particularly price sensitive and that diabetic products, especially, warrant expanded space.

Baby care, a new arrival among the 10 hottest categories, was cited by 29 percent of respondents as a promising area. Diapers for "premies" and diapers with special strategic padding for girls and boys (you've come a long way, baby!) are adding interest to the category, whose growth is forecast at 11.7 percent this year.

Twenty-one percent of survey respondents liked greeting cards for the top 10, predicting 14.6 percent growth. Factors contributing to that growth include a 7

percent to 8 percent price hike by major companies during 1988, as well as new strategies for placement, display and assortment. Innovative fixtures and organizing systems that help consumers find the card they want are features expected to help boost the category.

Books (especially paperbacks), batteries and film each was cited by 17 percent of respondents as hot categories for 1989. Books and paperbacks are predicted to grow 24 percent; batteries, 17.5 percent; and film, 10 percent during the year.

Consumers are coming to accept higher price points for paperbacks, and convenience is drawing a healthy share of bookworms to drug stores, whose operators are finding sales sensitive to the category's location in the store.

Cosmetics, hosiery, lens care categories also cited

Three categories came close to gaining hot-category status among drug chain merchandisers and executives who responded to *Drug Store News's* survey: eye and face cosmetics, hosiery and eye/lens care.

Thirteen percent of respondents cited eye and face cosmetics as potentially hot in 1989, with growth forecast at 14.3 percent. Max Factor's No Color Mascara was a shot in the arm to the eye makeup segment, and new, lighter face cosmetics are boosting that segment's prospects.

Hosiery also was cited by 13 percent of respondents, who predicted 8.7 percent growth this year. Chains, conscious of women's increasing disposable income and penchant for fashion, are broadening their selection with higher-end brands. Some drug stores merchandise hosiery near fragrances, cosmetics and jewelry to garner added sales.

The eye/lens care category was cited by 8 percent of respondents as potentially hot in '89, with predicted growth of 17.5 percent. Reasons include high margins, physician recommendations of brands and constant product innovation. In addition, contact lens users follow a regimen of product, which translates into multiple sales.

Hot categories: Family planning**TRENDS****Family planning section a favorite among retailers**

Led by a surge in sales of home pregnancy test kits and condoms, the drug store family planning department is poised for further big gains, retailers agree.

In fact, three out of four respondents in the latest *Drug Store News* Hot Categories Study of chain drug merchandisers and executives ranked the family planning area as one of the hottest in drug store retailing,

ucts selling very well, but you can make good money with them," said Michael Weiner, vp and head buyer for Rix Dunnington in Massachusetts. "The margins are definitely there."

"This is a good business with good, steady growth," added Gary Crawford, director of cosmetics and H&BA operations for Randall's Food & Drug. "We expanded and refitted our family planning section about a year ago in anticipation of growth, and it's lived up to our expectations."

Merchants are particularly excited about pregnancy and ovulation testing kits as consumer awareness has grown and new, easier-to-use kits have come on the market. Both developments are fueling a booming growth market.

"We had a really good year with home testing kits," said Weiner. "Everything is being done at home these days, and the awareness of these things is much better than it used to be."

"Testing kits have been very strong this year," agreed a spokesman for Rite Aid.

Fruth Pharmacy, a 12-store chain in West Virginia, also reports a big increase in pregnancy kit sales. "Over the past year we've gone from stocking just two of the home testing kits to stocking six or seven of them, and we've expanded space for all these (family planning) products," said vp Don Pullin.

Sales of home pregnancy and ovulation testing kits are being driven by product breakthroughs as well as growing consumer acceptance. "We're seeing new, more sophisticated testing kits that offer simplicity and accuracy, and they're going to change this market," said



In Orlando, Fla., two competitors take similar approaches to merchandising condoms near feminine hygiene. At both Albertson's (top) and Drug Emporium (bottom), retailers count on high purchase rates by females. Notably, Albertson's uses price signs to denote value in a highly identifiable category.

DRUG STORE NEWS**Top 10 Category Stats:**

75% of the retail drug merchants surveyed by Drug Store News said family planning would be one of the hottest merchandising categories in 1989, with sales increasing 15.4%.

Source: Drug Store News survey

putting it at the top of the list of favored growth categories for 1989.

Retailers like the category for a whole range of reasons: growing consumer awareness of the need for condom protection and of the convenience, low price and accuracy of home testing kits; the willingness of condom manufacturers to aim at women buyers with new packaging and female-oriented advertising; the fact that the category remains by and large the special province of drug stores; new product innovations; and the healthy margins offered by both condoms and testing kits.

"Not only are these prod-

Randall's Crawford. "I don't often get excited about a new product, but I'm impressed with Whitehall Labs' new one-step pregnancy test. I expect a lot of sales out of that product."

That kit, called CLEAR-BLUE Easy, has been in some stores for a couple of months. It is the first in mass distribution to rely on monoclonal antibodies to give rapid, one-step test results.

Most retailers continue to home condoms, pregnancy and ovulation test kits and feminine hygiene products together in family planning sections near the pharmacy. Some, however, have begun breaking out some items for secondary locations as sales in each subcategory have taken off. "We had everything in the family planning department, but now we're moving the main condom section back to the pharmacy area and leaving a smaller selection with the testing kits and fem-hygiene products," Crawford said.

The AIDS scare continues to transform sexual and social behavior, boosting sales of condoms and changing and broadening the demographics of condom consumers. "Social demand has changed a lot, and women are the aggressors now as far as condom protection goes," said Fruth's Pullin. "We've added the new condoms aimed at women, and we only carry the dozen-packs, not the three's. Three-packs are easier to pilfer, and anybody using condoms regularly now is going to get a dozen at a

time anyway."

"Women are probably 80 percent of my condom buyers now," added Weiner of Rix-Dunnington. "They're bolder and more open about it than men, who still get embarrassed and wander around the store before they get up the courage to buy them."

Weiner has added newer condom brands like Mentor

and Lifestyles to his staple pegged offerings of Trojans and Schmid, saying, "We go with the demand trends." Rix and most other drug chains stay with a fairly basic mix, however.

"We're getting good growth from condoms, but I don't think adding a lot of new SKUs really adds to your sales growth," said Crawford of Randall's.

AIDS has no profound effect on use of condoms in U.S.

The AIDS scare has had several years now to percolate through the strata of America's social life, but so far it hasn't profoundly altered behavior patterns among many sexually active young adults, and it has yet to touch off any stampede into the use of condoms.

This despite the fact that favorable opinion of the condom rose sharply among American women between 1982 and 1987, from a 38 percent favorable rating to a 60 percent rating, said a study by The Alan Guttmacher Institute, which noted "heightened concern about AIDS."

During the same period, approval of the IUD dropped from 26 percent of American women polled for the study to 19 percent. In addition, the Guttmacher report warned, other means of birth control might also suffer sales declines "if injuries make more awards against spermicides manufacturers."

Use of condoms, however, has certainly increased. Sales were pegged by some estimates at more than \$400 million in 1988, at a retail growth rate of 25 percent or more in unit volume through all outlets. Nevertheless, only 16 percent of unmarried women were using condoms when the Guttmacher study was conducted in 1987. That represented a significant jump from the 9 percent using condoms in 1982, but it indicated that the switch to condoms has been slow to develop.

A study by Schmid Laboratories also showed a "lack of growth in condom use" that was "most pronounced among young people," who even showed a slight decline in use from January to October 1987. Schmid estimated at that time 20 percent of adult men and 11 percent of women used condoms.

A more recent study by Trojan manufacturer Carter-Wallace, however, may indicate growing acceptance of condoms. The study found that 38 percent of single women and 48 percent of single men have used a condom within the past year.

The study also indicated that use of condoms is greatest among the 18- to 24-year-old age group.



Fact Plus
Pregnancy Test
Over 99% accuracy in laboratory studies

\$7.99
EA.

FIRST RESPONSE

Ovulation Predictor Test

First Response
Ovulation Predictor Test
Home diagnostic kit. Predicts the day a woman is most able to become pregnant.

\$19.99
EA.

Longs makes the effort to explain the purpose of ovulation test kits and the effectiveness of a home pregnancy test in its circular. These items carry healthy tickets, and at most chains are displayed by pharmacy for possible consultation.

Hot categories: Snacks/candy/convenience foods

TRENDS

Chains nourished by snack, candy and c-food sales

Snacks, candies and foods continue to be a strong growth area for chain drug stores.

Just about every major chain today uses the grocery category as a traffic builder and more chains are also adding or expanding snack shoppes and mini convenience food departments.

Walgreen's and Thrifty Drug both have mini-convenience food departments in about a third of their stores, and many other chains such as Eckerd, Peoples, SuperRx, Longs, etc. have c-food departments in select locations.

Usually when chains use groceries as promotional traffic builders, they favor promoting high consumption commodity items such as soft drinks, candies, cookies, juices, cleaners and pet foods.

DRUG STORE NEWS Top 10 Category Stats:

58% of the retail drug merchants surveyed by Drug Store News said snack foods/candy/convenience foods would be one of the hottest merchandising categories in 1989, with sales increasing 12.9%.

Source: Drug Store News survey

stores now for about a year.

Fahrenbach says the growth on the two brands of seltzers he stocks, New York Seltzer and Chicago Seltzer, has been "phenome-



As one of the fastest growing categories in chain drug stores, snacks are often endcapped near related high margin departments to attract traffic. Here a snack endcap anchors a convenience food section in a Shoppers Drug Food Basket store.

wise miss."

The deep discount chains, because of the foot traffic they generate, do more with groceries than do other

"maximizing" the category.

The goal today is to make money on groceries, not just use them as traffic builders.

Space allocations increase

In the last few years, chains have expanded their allocations of permanent space for the high-consumption, high-impulse items like candies, snacks and soft drinks.

Many chains like Eckerd's, Perry and Peoples try to create snack sections or snack departments, and many of these departments are adjacent to coolers where chains are now merchandising high-margin, single-serve soft drinks and juices.

Chains today have also learned that it's important to make the department highly visible in their stores, and to do that, they have given it plenty of up-front space near entrances and checkouts, and they have also planned permanent end cap or other off-shelf display space for groceries so they can capture more impulse sales of higher margin unadvertised groceries.

Walgreen's, for example, has been particularly successful exploiting the candy and soft drink categories, and this is primarily because they give these departments plenty of off-shelf exposure, promoting them year round, not just seasonally.

Buyers also say that it's very important to make the grocery-beverage category convenient for customers to shop. Sources for Walgreen's, Eckerd's, Perry, and others all describe their grocery programs as geared to the convenience shopper.

Their accessibility to shoppers yields incremental sales for these chains, buyers say, and their presence in the stores brings shoppers back into the stores on a more frequent basis.

Drug chain snack facts

- Candy sells especially well in urban neighborhoods, many buyers say. The prime customer is the office worker who uses candy throughout the day as an energy charger.
- Deep discount chains seldom even bother to advertise a high consumption item like a candy or a soft drink. A chain like Rock Bottom, Phar-Mor or Drug Emporium will simply build a massive floor display or stock hundreds of cases out on an end, and sources say their mere exposure in the store will turn the display as often as every other week.
- Many deep discounters have soft drink bottlers servicing their stores several times a week just to insure that their massive displays and permanent departments are in stock in this fast-moving category.
- Many deep discount chains also have soft drink vending machines in their lobbies. Phar-Mor, for example, likes to make a strong price/value statement by pricing its vended single-serve soft drinks at 35 or 45 cents. That's usually 20 to 30 cents less than competitive vending machines, and Phar-Mor cus-

tomers are usually impressed at the savings.

- More drug chains are also using one-, two- or three-door coolers in their stores. The coolers contribute substantially to a profitable beverage department. The single-serve soft drinks and juices in the coolers usually have margins ranging from 50 percent to 100 percent.
- Drug chains are also expanding or adding pet food departments. Buyers tell *Drug Store News'* sister publication, *Food Merchandising*, that sales of their high margin pet food accessories double and sometimes triple when accessories are merchandised adjacent to foods. Pet foods on ad also help make the department more visible and build traffic.
- Bottled water is now the fastest growth segment in beverages, and many chains are responding to the opportunity by adding bottled waters to their soft drink and juice departments. Perrier, the category's leading brand, is in many chains today, but gallon jugs and seltzers are just starting to come into chains now, and buyers say their growth is phenomenal.

At Dunaway Drug in Marietta, Ga., Jim Muir, buyer for foods and groceries, reports that Coke and Pepsi sell so well that he features one or the other in every Dunaway ad.

Candy also works very well as a traffic builder for Dunaway, and Muir says he's had exceptional success with Mounds, Almond Joy, Snickers, Tootsie Rolls, Nestlé's and Pay Day.

At Eckerd Drug in Florida, senior convenience food buyer Pete Agostino has been very successful with Gaterade and with bottled water, particularly gallon jugs.

At Keltsch Drug in Indiana, grocery buyer Robert Fahrenbach also has had tremendous success with both bottled waters and seltzers which have been in his

nal."

At Harco Drug in Alabama, grocery buyer Andy Horn says he's been very successful with regional brands of cookies.

"The price points on the regional brands are much lower than the national brands," he points out.

"It's hard for a chain my size to promote Oreos and be competitive, but I can do the regional lines at two for 88 cents, make money and draw a nice base of customers."

In the last couple of years, Drug Emporium has gone very heavily into foods in some markets, especially the northeast and Atlanta.

Bob Lyons, Drug Emporium's regional vp for the northeast, says Drug Emporium uses groceries "to get the impulse sales we'd other-

types of drug stores, including the West Coast-based super drug stores like Longs and Pay Less.

A chain like Phar-Mor or Drug Emporium, for example, often buys truckload quantities for snacks and other groceries.

They'll put up hundreds of cases in massive floor displays and they'll turn these displays as often as twice a month.

"It's great for our customers," says a source for Phar-Mor. "We put as much out as possible at an unbelievable price, and then we just wait for it to sell through. Snacks especially turn fast in our stores. We can turn hundreds of cases in one or two weeks."

In the last few years, grocery buyers have become very adept at what they call

Just about every major chain today uses the grocery category as a traffic builder and more chains are also adding or expanding 'snack shoppes' and mini-convenience food departments.

TRENDS

Hot categories: Sun care



Many chains prefer to use endcaps to highlight just the best selling brands and sizes of sun care. This endcap in a Kerr Drug store features a selection of the better-known higher-SPF brands, the best-selling tanning lines and one of the best-selling sun protection brands designed for children.

High SPFs cause sun care sales to shine on chains

The sun care category is showing strong growth again this year.

Some buyers contacted by *Drug Store News* say the segment is up as much as 30 percent in certain stores.

In *Drug Store News*' Hot Categories Study, 54 percent of all buyers polled picked sun care as one of the 10 hottest categories for 1989. They estimated sun care sales will be up by an average of 15 percent.

The strongest growth is being generated by the high sun protection factor brands. But surges are also showing up in specialized SPF subcategories, such as sun protection for children, for workers and sports enthusiasts exposed to excessive periods of sunlight, and even sun protection for highly vulnerable features like faces and lips.

In Detroit, where sun protection is not normally thought of as a year-round necessity, Perry Drug's assistant merchandising vp Steve Lund reports that chainwide sales last year were up 30 percent, and he thinks he has a shot of doing just as well with the category in 1989.

Although Lund cautions that retailers can never be totally sure what accounts for such

growth, he thinks it's the result of some merchandising and advertising changes made by Perry, combined with the public's growing concerns about sun exposure.

About a year ago, Perry Drug identified sun care as an area of opportunity. Lund said the company realized that with one exception, the local competition was not doing anything special with the category, either with merchandising or advertising. So Perry began to pay a lot more attention to the way they presented sun care.

"In the past," said Lund, "we had merchandised the category just on ends. We usually had two ends and a mini planogram, but we realized that no matter how well we did, we still had two separate homes for sun care and we felt we were losing some sales opportunities."

"So for the peak season, we moved sun care into our promotional aisles, and we gave it a straight 8-foot run of space."

In the off-peak season, which has just started for Perry, the category gets reduced to 4 feet in the skin care department.

When Perry increased the peak season space, Lund says they also broadened their mix, adding additional SKUs from the major brands like Coppertone, Hawaiian Tropic and Bain de Soleil, and also added new lines.

They also expanded their mix of depilatories and skin creams and made

them more accessible to sun care buyers.

Lund also expanded the better niche selling brands like Baby Sun Down, Water Babies and Baby Faces.

As their merchandising became more aggressive, so did their advertising. Instead of just advertising price, Lund began creating consumer events including a Memorial Day major event that linked the J & J Sun Down line to Jheri Redding's Salon Tropics hair care line.

As part of the event, Perry and the two participating manufacturers gave away a cruise to Hawaii, as well as

wind surfers, and other sweepstake prizes.

Lund says the event was extremely successful, and Perry followed it up with a fourth of July ad that featured all the major brands at good competitive prices.

In 1989, Lund plans to continue to be aggressive with the category. The peak season space will be expanded another 4 feet to a total of 12 feet. Lund says he will be adding more new lines, and is currently considering J & J's new Pizbuen line from Switzerland, which is a little more upscale in price and image and which would probably be competitive with Bain de Soleil.

He's also thinking of adding the new P & G sun screen line as well as Chesebrough's new Vaseline Intensive Care sun care line.

He's also going to take the top shelf in the sun care section and reserve it for point-of-purchase displays including header cards.

"When you have an in-line section," he says, "you miss the pop materials, so we'll devote the top shelf to pre-packs. This way we'll have all that color that we hope will draw people to the department."

In Pleasant Hill, Calif., Katie Ahl, who buys sun care for Drug Barn, says she still sees the strongest growth coming from the high SPF brands of 15 and above. She thinks that trend will continue in 1989, especially in warmer states like California.

"There's also a lot of new and better items being introduced and that should continue to fuel growth," said Ahl. "I think the new Vaseline Intensive Care sun care line should be good and Neutrogena might have a strong appeal with the way they plan to market their new sunblock."

Instead of stressing the SPF as everyone else is right now, Neutrogena is emphasizing a point of difference for its new PABA-free sunblock. Neutrogena says it's formulated to give good protection but also won't irritate the skin or rub off.

In upstate New York and Vermont, Kinney Drug reports that most of its growth is coming from the higher sun protection factors, the 20s and 30s.

Kinney keeps an extensive year-round sun care department in stores located near ski resorts and they have a handful of the major brands in non-ski resort stores.

Buyer Robert Burtis says the chain isn't doing anything special to generate growth. "It's a growth area because people are so sensitive to the dangers of sun damage these days. It's especially strong in country areas where people spend more time in the sun and also in small towns, where if someone has a medical problem caused by the sun, the word goes around and everyone is aware of it."

Kinney's best sellers this year have been the Coppertone brands. Ski & Sea has also done well and so has Banana Boat. Brands aimed at babies have done well, including J & J's new Baby Sun Down, Pre Sun For Kids, Water Babies and Baby Faces.

Drug chain sun care facts

More drug chains today are creating permanent sun care departments. Chains like Eckerd, Perry and Walgreens realize that consumers aren't limiting their sun protection to the beach or ski slopes. They're using them whenever they're going to be outdoors for any extended period of time.

High SPF sun care brands still show the strongest segment growth, up as much as 20 percent in many chains, but buyers say they are starting to see most of the growth clustered around the SPFs in the 15 to 20 range. It's possible consumers are beginning to realize that SPFs of 25 and higher may not be necessary. Some consumers may also be suffering from irritation or allergic reactions when they try to use the highest SPFs for extended periods of time.

Some chains are starting to merchandise sun care items in their skin care departments because buyers say they think the line between sun care and skin care is starting to fade.

Sun protection factors are also turning up in the cosmetics department in brands like Max Factor's Sun Smart line with an SPF of 6, Physician's Formula's Sun Shield for under makeup wear, and Almay's face makeup with an SPF of 8. Buyers say the movement on both lines is just average or fair. But face makeup with SPF protection is still an undeveloped market, and sales could surge if manufacturers decide on aggressive marketing.

Lipscreens marketed as a niche within sun care are doing exceptionally well, buyers say, and so are sun care products marketed for children and babies.

Buyers say another niche product, Aloe Creme's Alo-Sun Top Kote for bald men is also doing well. One source said Top Kote has to be merchandised in a display to be effective, however, because it's not a well known product and it depends heavily on impulse buying to generate sales.

GTE
Retail Information
Services

Announces

Point-of-Profit™
Store System,
a software
package for the
retail industry.

GTE

THE POWER IS ON

TRENDS

Hot categories: Home office supplies



Broad assortments that satisfy the varied needs of home office consumers are a key strategy used by Peoples and other drug chains who want to make a strong statement and attract replenishment business.



Heavy discounts on branded stationery lend impact to the department at Maxidrug, the deep discounter in Massachusetts that is distributor-serviced.

Buyers say home office supplies still hot despite competition

Home office supplies continue to produce well for drug stores despite competition from discount and specialty home office stores. And chain drug buyers responding to *Drug Store News' Hot Categories Study* predicted that the category will again be among the 10 hottest in 1989. They foresee a 17 percent sales growth in home office supplies this year.

Convenience seems to be the edge drug stores will continue to have over other retail segments which may be able to offer lower prices or greater selections.

In metropolitan markets, university markets and areas which have a high concentration of industry, products like business stationery, envelopes, filing cabinets and computer paper are selling well and are being given more space in drug stores.

Leroy Pharmacies, a New York chain in competition with any number of home office suppliers, continues to do well with its home office section despite the rivalry, according to Stanley Lepelstat, president.

"We first tried upgrading the department to more expensive merchandise," said Lepelstat. "That didn't work. Then we moved toward expanding our home office area, which is doing very well."

Leroy's latest addition is computer paper, which Lepelstat said is moving well. Lepelstat credits the success of the product to the popularity of home computers in the metropolitan area.

A profusion of personal computers for home use is not limited to the New York metropolitan area. Marvin Gresham, president of Gresham Drugs, Inc., a six-store chain based in Gainesville, Fla., reports that computer paper is selling well at the Gresham stores.

STAPLES

The Office Superstore

LOWEST EVERYDAY PRICES YOU'VE EVER SEEN!

KEITH CLARK DESK CALENDAR REFILLS
(Staples No. 191361). Refills for E71 3 1/2" x 6" page size. Base sold separately. Catalog List 3.75.

Save 79% 76¢

RUBBERMAID QUICK POCKET
LETTER SIZE (Staples No. 171843). Single letter. Smoke. Catalog List 11.01.

Save 45% 5.99 19.19

Kodak SUPRALIFE "C" OR "D" BATTERIES
(Staples Nos. 169698-"C", 169706-"D") 8/PACK. Save a pack. Catalog List 10.50.

5.79 Save 45%

FREE DATACASE

SONY 3 1/2" DS/DD

39.99* Save 78%

Summit Panel Double Pedestal Desk
(Staples No. 195529). 60" x 30". One file drawer in each pedestal.

Global Executive Swivel Chair
(Assorted Colors). 35" H x 24" W x 24" D. Low base.

Staples, the specialty off-pricer of office supplies, is a tough competitor, especially in suburban markets, where home office customers are a prized target of drug chains.

DRUG STORE NEWS Top 10 Category Stats:

54% of the retail drug merchants surveyed by Drug Store News said home office supplies would be one of the hottest merchandising categories in 1989, with sales increasing 16.8%.

Source: Drug Store News survey

The chain expanded its selection of home office equipment to 40 feet, broadening the selection and varying price points. The store also carries discs and computer printer ribbon.

The chain takes a good markup on the items, ac-

cording to Gresham, but is still able to sell the products for prices well under computer stores. Gresham sells 20-pound bond computer paper in a box of 2,500 sheets for \$25.95 regularly and \$22.95 at sale price.

The stores move 100 cases of the computer paper a month. Gresham attributes the popularity of computer products to the chain's location in a university town and the fact that store hours, 9 a.m. to 9 p.m., exceed the hours of local computer and office supply stores.

Kerr, based in North Carolina, has greatly expanded its home office supply area to capitalize on the industrial and research complex areas located in the state.

The chain has added the Mead Cambridge line of products and more SKUs in the Rubbermaid home office line this year.

"We've extended lines we

already carry and tried to upgrade our department to give consumers a better choice," said buyer Dan McAllister. The chain is now carrying higher ticket portfolios, plan books and folios.

Bartell Drug Co., a chain in Seattle, has been holding its own against specialty stores in the market, according to Mary Loeser, a buyer for the chain.

"We are highly competitive with office supply stores," said Loeser. "In one location, we are right next to an office store and we take a lot of business away from them. We are offering convenience right around the corner, something that the other stores can't offer."

To keep that edge, Bartell's has expanded the department. Loeser added the Office Buddy line of organizers and the H&R Block line of record-keeping books.

Loeser said that tax time is

More Americans doing business at home

Statistics show that Americans are spending more time working at home or are setting up satellite home offices. Link Resources Corp., a Manhattan-based market research firm, reports that 24 million Americans put in at least one full day of work a week at home. The firm also reports that that number will grow to 30.8 million by 1992.

A spokesperson from Link said that 760,000 copier units have been installed for home use and 5.9 million personal computers are being used for home office purposes.

a particularly good time for adding machine tape, index cards and file folders. The department, she said, keys in on certain items and promotes them in their best seasons.

Packaging and mailing products are another area which is becoming popular in drug stores, and Loeser said that the mailing and packaging area has continued to do well in the stores.

Like Kerr, Bartell's has also introduced higher ticket portfolios and briefcases this year. Loeser added the Hazel line, but said it was too early to tell how well the products did for the holidays.

"The first year is always an experiment," she said. "It's really too early to tell how well those products perform. It takes a while for customers to get used to seeing these kinds of items in the store. Once they know that they can purchase these items at Bartell's, they may come here first next year."

TRENDS

Hot categories: Books

Chains capitalizing on future growth of paperback sales

In the age of the "couch potato," many drug store consumers are opting for settling down with a good book rather than a sitcom or miniseries.

Paperback book sales at drug chains were cited in a *Drug Store News* study as one of the 10 hottest categories for 1989. Buyers and merchandisers who responded to the survey forecast a whopping 24 percent growth for this coming year.

Ron Ransdell, vp store operations for Thrifty-White, saw a 10 percent to 15 percent sales hike in the paperback book department. "I've noticed a comeback," he said, "and it's about time. People are willing to pay \$4.95 for a paperback today. That's a price that many would not have paid three or four years ago. These are not dime-store novels anymore."

Consumer acceptance of higher price points for paperbacks is one reason for the projected growth of book sales in drug stores, where paperbacks form the bulk of sales.

The drug store market is an important one for publishers. A recent study conducted by Coopers & Lybrand for the Book Industry Study Group (BISG) shows that

drug stores ranked third in book sales among non-bookstore retailers behind mass merchandisers/department stores and grocery outlets, and account for 3 percent of the total retail book market. Grocery stores, in contrast, capture 8 percent to 9 percent of retail book sales.

Associated with drug stores

Market research described in the survey indicated that book purchasers associate books with drug stores, so books are carried to satisfy customers' expectations of finding them there. The books are perceived as a convenience to shoppers and this enhances retailers' one-stop shopping image.

Location of the department is key to sales growth, according to most drug retailers. Maryellen Kari, spokesperson at Walgreens, said the chain offers a full assortment of paperbacks near the magazine section, both of which are located near the front end for high traffic potential.

Ransdell of Thrifty-White said the 12-foot department is placed "as close to the front door as possible. We remodeled some of our stores and put the books in the back. The closer we moved them to the front, the more they moved."

Some chains choose to merchandise books near the promotional section. Dennis Wozniak, vp purchasing for Arbor, said, "There is a potential for growth in the paperback book category contingent on the types of displays utilized."

The chain relies on a free-standing floor display as well as a mainline display to lure the bookworms in. The floor display, holding the current top 10 titles, is placed in the promotional department. The mainline rack, with 14 linear feet, is found across from the pharmacy department, to capture the interest of cus-



Walgreens, Elk Grove Village, Ill., lists the 15 best-selling paperbacks on top of gondola to draw attention (top), and displays books and magazines near the pharmacy waiting area for impulse sales (bottom).

tomers waiting for prescriptions.

The primary book suppliers for drug stores are independent distributors, according to the BISG study. Indeed, 10 percent to 20 percent of independent distributors' books sales are accounted for by drug stores.

'There is a potential for growth in the paperback book category contingent on the types of displays utilized.'

Walgreens' Kari said the chain buys its books from national magazine distributors, which vary by geographic region. The department is serviced by either the distributor or the chain, depending on the distributor used in a particular area.

Thrifty-White's book department is serviced by five magazine vendors, which all offer a service program to stock the department. The chain relies on the vendors for 95 percent of the book selections, based on warehouse movement reports and sales figures. Five percent of the selection process is attributed to buyers' input.

Bill Eames, president of Bill's Drugs in California, said the chain relies on its own distribution system for paperback books, with three store personnel servicing the department. Titles are selected based on a list sent to the chain from its source of supply. Eames said this process will continue until the chain sets up a scanning system for the department. The new system will allow the chain to select titles and quantities based on actual movement of particular types of books sold at Bill's.

Eames has seen a "significant" increase in category sales and attributes this to a well-stocked department. The chain also runs a traffic-building coupon promotion for the 48-foot department that encompasses pocket paperbacks. According to Eames, the coupon promotion, which

cular ads to promote it."

Holiday and theme promotions are popular at the chains. Bill's Drugs sets up outposts in the promotional aisles during Christmas and the summer months to cash in on consumer's gift buying and vacation reading needs. "We also try to put them in the Valentine aisle, for gift-giving," Eames said. Ransdell at Thrifty-White said at holiday times "a Stephen King feature does well."

Price may also be a deciding factor in the sale of paperback books. Arbor hardcover books are priced at discount, while paperbacks are sold at the manufacturer's list price. At Bill's a 10 percent discount is offered on every pocket-sized paperback, with the exception of books on the *New York Times* Bestseller List, which carry a 25 percent discount. Thrifty-White runs advertising promotions at 20 percent off list price, but does not offer everyday discounts.

DRUG STORE NEWS

Top 10 Category Stats:

17% of the retail drug merchants surveyed by Drug Store News said books would be one of the hottest merchandising categories in 1989, with sales increasing 24.0%.

Source: Drug Store News survey

Retail outlets and book department margins

	Book department typical average margin (%)	Overall store gross margin (%)
Airport shops	40-45	N/A
Auto supply	35-40	28.5
Drug stores	20-40	30.6
Gift stores	40-45	34.2
Home centers	35-40	28.1
Mass merchandisers	22-26	26.8
Pet stores	20-35	N/A
Supermarkets	25-40	20.8
Toy stores	40-50	33.6

Source: "The Sale of Books Through Non-Bookstore Retailers," prepared by Coopers & Lybrand for the Book Industry Study Group.

Kerr revamping book section

Kerr Drugs has added 16 feet of deep discount books to its average 16-foot to 20-foot paperback book section within the past 18 to 24 months. The addition has contributed to a 15 percent to 20 percent sales growth in the category over last year's figures.

"The deep discount books are sold on a separate configuration—a wire rack supplied by the supplier," William Baxley, vp-marketing, said. The assortment consists of hardbound, paperback and children's books, with retail prices ranging from 29 cents to \$19.99. The amount of the discount varies by product category, and the size of the category is adjusted to the sales in each store.

Promotions at the chain are conducted on a quarterly basis, such as advertising children's books and remainder paperbacks at a two-for-\$1.00 sale price. The category as a whole averages four to six turns per year.

Paperback books, which average a total of 32 feet in most Kerr stores, are positioned close to the front of the store, near the promotional aisle and in close proximity to cosmetics.

TRENDS

Hot categories: Greeting cards

Placement, pricing fuels card dept. growth

Growth in unit sales coupled with a 7 to 8 percent price hike by major greeting card companies fired chain drug card sales in 1988. New strategies in placement, display and assortment added fuel to the flames.

Retailers look for more of the same in 1989. In *Drug Store News'* Hot Categories Study, greeting cards were named as one of the 10 hottest categories for the coming year. Buyers and merchandisers who responded to the survey predicted 15 percent growth in the category.

That would follow a hot 1988, when such strategies as promoting and cross-merchandising, helped spark store traffic and unit sales, according to drug chain merchandisers.

Pay Less NW and SuperD were among chains that added linear feet. In recent years, other chains have found they can boost category sales per square-foot by adding footage, and enhancing assortment.

Pay Less, which has American Greetings, Ambassador and Gibson, is adding footage, after tests showed space expansion boosts per-square-foot sales. The average now is 144 linear feet, compared with 112 to 140 before, said merchandiser Pat Pemberton.

Pay Less and Peoples Drugs are among chains trying Gibson's new "power panels" and "shadow boxes," which allow for the locating of selected lines away from the card department.

Breaking card selections away from the department on these portable fixtures for cross merchandising with appropriate products promises to increase sales.

Yet they could also dampen sales by subtracting from the selection within the department, where most shoppers look for their cards, one chain drug buyer observed.

In larger stores which



The two-valley greeting card department is located at the front of the store, two aisles from the entrance, in Walgreens Elk Grove Village store, which has 13,300 square feet of selling space.



Phar-Mor boasts a 50 percent discount on Gibson's Buzza promotional line. Disney cards are featured in this Orlando, Fla. store to cater to visitors to nearby Walt Disney World and Epcot Center.

have the space, SuperD of Memphis has added 8 feet through additional endcaps and spinner racks to its typi-

cal 60-foot to 72-foot selections, said Bob Billings, executive vp-marketing.

The chain has also stopped using a single long gondola format with U-shaped low-profile endcaps, and has returned to a valley configuration, with spinner racks, which displays more merchandise. The change has boosted sales, Billings said.

Vendors' fixture experiments have paid off in some cases. Snyder's Drugs in Minneapolis is among the chains that have fared well with Ambassador's new power fixture and ColorScan coding system for consumers. Creating a waterfall effect from eye level to ankle, the fixture allows a strong display, and shows 20 percent more of each card. ColorScan uses colored pocket identifiers to code categories.

"From a consumer standpoint, it's a tremendous improvement in categorizing the product," said Lance Clark, Snyder's merchandise

manager.

Snyder's, whose stores are split between Ambassador and American Greetings, has Ambassador's new system in two stores so far.

Clark said increased unit movement, rather than price hikes, was most responsible for last year's growth in greeting cards, which Snyder's locates front-and-center next to the checkout.

While the chain has typically advertised cards for grand openings, in which it gives a free postage stamp with a card purchase, this Easter season it will offer a discount on a plush item with purchase from the greeting card department, Clark said.

The card industry as a whole posted brisk unit growth, in line with its historical 2 percent to 4 percent growth average. Unit sales went to 7.3 billion units, or 2 percent to 3 percent above the previous year, according to E. Gray Glass III, an an-

alyst with Prudential Bache Securities.

Thank the typical card purchaser, a woman who impulsively buys several cards for present and future use on a single visit.

Retailers saw the price hike as a boon because the higher price points didn't turn off consumers in a category that isn't very price-sensitive.

Somewhat ironically, alternative cards made gains—but it was through the lines of the traditional vendors. Lines introduced in the last few years by Ambassador, American and Gibson have fared well, according to some drug chain buyers.

The smaller so-called alternative card companies—with about 20 to 30 companies in

Breaking card selections away from the department on portable fixtures, for cross merchandising, promises to increase sales.

the \$5 million to \$100 million range—accounted for about 5 percent of card sales in 1988. That's a dip from their peak of a few years ago of a 7.5 percent to 10 percent market share, said Glass.

But the major vendors' alternative lines prospered. They've captured about 5 percent of the market.

Alternative cards thus held their share of about 10 percent of total greeting card sales, Glass said.

Wellby Drugs of Maine displayed one of the most extensive alternative card selections. Its racetrack stores contain lines from at least eight alternative card vendors, including Recycled Paper, Paramount, Sunrise, Moodz, and California Dreamers, which supplement the traditional Ambassador assortment.

Located in the rear-right corner, the department is advertised by a high corner display as well as Ambassador photos of cards and accessories on the wall.

Harco is another chain that has moved its card department—which ranges from 80 feet to 140 feet—to prime, front locations.

Revco eyes card strategy

The card department is in flux at Revco.

Though stores have typically featured the American Greetings set at front-of-store locations, the card strategy could change in a new prototype Revco plans to launch soon, according to Jeff Doshan, vp and general merchandise manager.

Recently, linear footage has been increased to 90 feet in some new and relocated stores, from a 72-foot to 76-foot average.

What has freed up space, according to Doshan, has been a cutback in general merchandise as Revco rethinks its merchandise mix to emphasize core drug store categories.

"We do view [cards] as a growth category, on which we're focusing a lot of attention," says Doshan.

The chain recently returned to discounting cards on an everyday basis, countering previous management's preference for full retail pricing. The move—with cards at 10 percent off—presents the consistent discount image Revco wants.

The sales loss from the discounting has been more than offset by a reassorted mix, which has increased the average sale, Doshan said.

DRUG STORE NEWS

Top 10 Category Stats:

21% of the retail drug merchants surveyed by Drug Store News said greeting cards would be one of the hottest merchandising categories in 1989, with sales increasing 14.6%.

Source: Drug Store News survey

Hot categories: Diagnostic test kits

TRENDS

YOUR DIABETES HEALTH CARE CENTER!



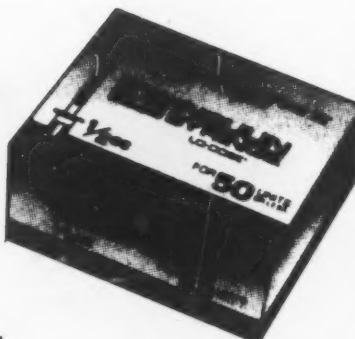
**1/2cc or 1cc
B-D INSULIN
SYRINGES**

The ultimate in injection comfort.

Regular 20.97
PACK OF 100

17.99

PACK



**CHEMSTRIPS or
MATCHMAKER**

Your choice. Fast, accurate and easy to use.

Reg. 27.99
& 29.99

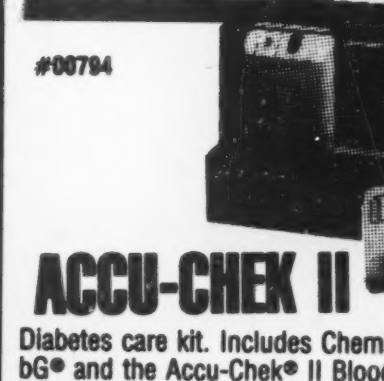
24.99

EACH

B-D ALCOHOL SWABS

Thicker, softer swabs hold 50% more alcohol.

1.99



ACCU-CHEK II

Diabetes care kit. Includes Chemstrip bG* and the Accu-Chek II Blood Glucose Monitor. Visual or monitor

129.99

Although blood glucose monitors, like the ones offered here by Pay Less, are high ticket items, they are still popular with diabetic patients since they allow them to monitor their conditions more closely.

24.99

Glucostat

50's

Glucostat rapid strips for blood glucose testing.

4.99

Alcohol Swabs

50's

50's

8.99

Glucostat

50's

Glucostat rapid strips for blood glucose testing.

16.99

ExacTech

50's

ExacTech rapid strips for blood glucose testing.

169.99

ExacTech

50's

ExacTech rapid strips for blood glucose testing.

39.99

Novella

50's

Novella rapid strips for blood glucose testing.

Walgreens offers a wide range of products for diabetics. Diabetic customers, say retailers, spend a higher average per year in drug stores than most other drug store customers.

Improved technology drives diagnostic unit market

Home testing units are hot. So hot, that when Revco ran a full-page ad in *USA Today* with a mail order coupon for blood glucose monitors, the chain received nearly 200 responses from outside of Revco's trading area, according to Jeff Doshan, vp and gen-

eral merchandise manager. The response is an illustration of why the category was rated as one of the top 10 categories for 1989 in a buyers survey conducted by *Drug Store News*.

DRUG STORE NEWS Top 10 Category Stats:

46% of the retail drug merchants surveyed by Drug Store News said diagnostic test kits would be one of the hot-test merchandising categories in 1989, with sales increasing 20.8%.

Source: Drug Store News survey

With health care costs soaring, home monitoring for routine tests has become one way to curtail expensive doctor visits. In addition, improved technology and ease of use have given these home testing products wider consumer acceptance.

The Naibitt Group, a Washington-based market research firm, estimates the retail market for home testing products will reach \$1.4 billion by 1992. Last year consumers spent \$60 million on these products in drug stores alone, according to A.C. Nielsen, 28 percent over last year's total.

The products, drug retailers agree, mean profit. A wide assortment plus the availability of informed pharmacists are musts for pharmacies positioning themselves as wellness and health centers.

Revco's Doshan said that the chain is making an aggressive move in the home testing market. "The image of the kits fits well with the Revco image," he said. "We are bullish over the category overall and are working to planogram more space for the category next spring."

The chain will expand its 4-foot to 8-foot section of diabetic products to 12-16 feet per store to include a greater selection and greater variety of price points. "We try to carry all of the accessories in the diabetic section," said Doshan. "That's where you do your repeat business and make your margins."

"We want to devote a good section to diabetic products," said Doshan. "These are loyal customers who often have other health related problems. The average amount spent by diabetics in a drug store is much higher than any other population shopping a drug store."

Doshan said that even though the typical diabetic customer will use a product regardless of the high ticket of many of the items, consumers are still looking for the best values and the products that are easiest to use. Revco, he said, does not use the products as loss leaders but "doesn't take a long mark on them."

Snyder's, a 64-store chain based in Minnesota, promotes its 8-foot home testing section every month in circulars as well, according to Bill Vidmar, vp of marketing for the chain. The chain runs an

Consumer sophistication good sign for market

Industry analysts believe the market for diagnostic testing kits will continue to grow as consumers become more aware and sophisticated about health care.

Consumers are increasingly monitoring their own health with a number of new products now available to them, said a study by Find/SVP, a New-York based market research firm.

The Naibitt Group, a Washington-based market research firm, cites convenience and lowered costs to consumers as two reasons for the boom in the category. Other reasons, according to the firm, are consumers' increased concern with their well-being and an increased access to health and medical data, a trend which the firm calls "patient power."

Advances in technology are also driving growth, according to the Naibitt Group. Improvements in electronics have lowered the cost of durable medical products, like blood glucose monitors, to consumers.

Increased use of monoclonal antibodies, specific cells which can recognize and attach themselves to target molecules, has enabled mass-produced disposable tests to be more accurate.

Consumers are responding to the confidentiality and convenience of testing in their own homes. At-home use of pregnancy tests allow women to detect pregnancy early so that they can improve pre-natal care.

Diabetic patients have also benefitted from the opportunity to closely monitor blood glucose levels at home, granting them greater control of their disease.

additional special diabetic section in its circulars every two months, promoting that segment of the category, which Snyder's, like most chains, keeps separate from pregnancy and ovulation kits.

Like Doshan, Vidmar agrees that most products are not extremely price sensitive, although he said that customers are looking for the best buys and are seeking rebate offers which many manufacturers have instituted.

"Consumers are looking for the latest in technology and the easiest test to perform," said Vidmar. "In the area of blood glucose monitors, we are dealing with a very sophisticated customer."

Most retailers said the category as a whole was con-

sumer-driven. "Consumers ask for testing kits. We have been running cholesterol tests and consumers want to know where they can purchase devices so that they can monitor their cholesterol levels at home," said Bukach of Medic. "I've even had consumers ask about the availability of devices that would tell them the salt content of foods."

New devices which make it easier to use the products have made pregnancy detec-

tion kits grow in sales. Most retailers place these items in the family planning section, while keeping blood glucose monitors, urine test strip, blood pressure devices and even thermometers in one "wellness" section nearer to the pharmacy for image as well as security reasons.

Pregnancy and ovulation kits are doing well at Revco, according to Doshan, yet their growth is not as great as diabetic testing products. Again, most retailers have cited good performance of products based on ease of use. Steve Lund, assistant vp of merchandising at Perry Drug mentioned Whitehall Laboratories' new Clearblue Easy as a good performer for that reason. The new test is promoted as being 99 percent accurate and requiring only one step for results. Fact Plus, another new introduction to the market, features a plus or minus sign to detect pregnancy.

Vidmar said that Snyder's does not promote pregnancy tests, since the products are believed to be purchased on an as-needed basis.

Not all testing kits do well, though. Lund said that Perry carried colo/rectal testing kits, but has since phased them out since they "simply did not sell." The items did not do well at Snyder's either, according to Vidmar. "I don't think there is a great need for those products," he said. Lund said that products for which consumers had a distinct need—for example, AIDS tests—would always do well at the retail level.

A wide assortment [of home testing units] plus the availability of informed pharmacists are musts for pharmacies positioning themselves as wellness and health centers.

Specialty items give new life to baby care in '89

Diapers for boys and girls and premature babies, along with infant accessories, are bringing new life to baby care in 1989.

Merchants surveyed by *Drug Store News* voted baby care one of the hottest categories for this year because they recognize working mothers need to shop for family needs quickly and in convenient outlets. That translates into extra traffic and volume for drug stores, which generally stock complete assortments of diapers, formulas, foods, toys, bottles and similar items.

Diapers are the hub of the category, since they require constant replenishment. The

K&B's Steve Ferguson, vp merchandising director, said that when the ads hit the television, Luvs Deluxe started to move. "The consumer is curious about them, and should not be confused," he said. "The packaging is well marked."

Retailers are turning to baby accessories and toiletries (baby lotions, oils and shampoos) as profit makers. Essentials like layette supplies, baby apparel and small toys contributed to a 10 percent sales growth in the category, said Reinhart at Harco.

Harco allocates 48 feet to baby care at the front of the

store near pharmacy, including 12 feet for baby accessories and 8 feet for infant clothing. "These impulse items have seen the growth," Reinhart said.

Reinhart said Harco makes an effort to promote the category vigorously once a year during Baby Week. Each fall, a special flier inside the chain-wide circular promotes baby products.

While the category overall is growing, at K&B baby care sales have been affected by competition from discounters like Wal-Mart, Zayre, Toys "R" Us and K mart.



A freestanding display of wipes, near baby H&BA section, is promoted by price signage at deep discounter Drug Emporium in Orlando.

DRUG STORE NEWS

Top 10 Category Stats:

29% of the retail drug merchants surveyed by *Drug Store News* said baby care would be one of the hottest merchandising categories in 1989, with sales increasing 11.7%.

Source: *Drug Store News* survey

challenge to drug store retailers is to stay well-stocked in these space-hungry packages, and match supermarket prices.

Product proliferation

Since 1984, when Procter & Gamble introduced Ultra Pampers, diapers have become more absorbent and less bulky. Specialized diapers, like Pampers diapers for premature babies, have sold well at Dunaway Drugs, said Harmon Koeltz, baby care buyer. "We are one of the few chains in the area to offer them," he said. They sell particularly well in stores near hospitals.

One diaper introduction is Luvs Deluxe for Girls and Luvs Deluxe for Boys, which touts absorbent layers on different parts of the diaper to correspond to the wet areas of each gender.

Consumers are not responding to the Luvs diapers as well as Harco thought they would, said Charles Reinhart, director of merchandising, noting an overflow of products in the marketplace already.

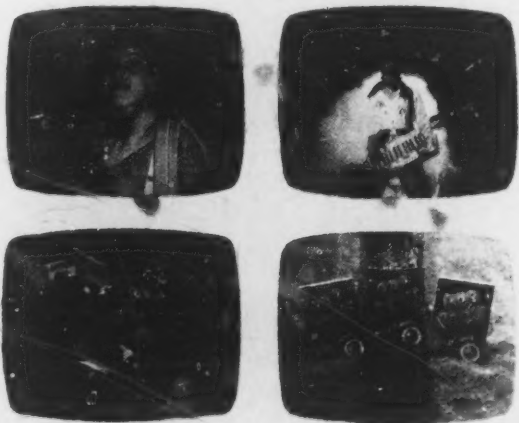
"Consumers must be educated in the use of these new diapers," said Brian Zappala, H&BA buyer for Wellby. "And they will be, since this (gender) concept will be on all the shelves soon," meaning all manufacturers will copy it.

MORE SIZZLE. MORE SALES. POP ROCKS.

Pop Rocks, the action candy that sizzles and pops is back with a bang! Powerful sales support will ring the register in your store.

TELEVISION SIZZLE...

"Feel the Flavor"



The sizzling excitement of rock music and Pop Rocks® action candy is a powerful combination in this :30 TV spot aimed at the target audience.

SPECIAL OFFER SIZZLE

Watch sales take off with our FREE Pop Rocks® Flyer mail-in offer.



PROMOTIONAL SIZZLE

Coupons in free standing inserts reach millions of households with an irresistible offer.



We've added more sizzle to Pop Rocks®...a powerful promotional campaign that you can't afford to miss...and point-of-sale displays designed specifically for each class of trade.

Pop Rocks will be available for a limited time...don't miss the excitement!



Distributed by
Carbonated Candy Ventures
P.O. Box 1384,
Buffalo, NY 14240.

cc ventures

"Every retailer is on the look-out for something like it" H.H., NY

HERPECIN-L

Cold Sore Lip Balm. "It Works!"

Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Promotions and location charge chain battery sales

In the non-stop running battle with food and mass merchandise chains for battery sales, drug chains have relentlessly promoted and kept batteries in prime traffic areas to generate impulse purchases.

Chain merchandisers report strong sales growth, as the alkaline segment has paced category sales, with a 12-percent annual unit growth rate in the U.S. Moreover, buyers say batteries can yield a margin of up to 30 percent, even though they must keep prices competitive.

Deals such as off-invoice allowances have helped keep costs down, as vendors fiercely elbow for new business.

In voting batteries as one of the top ten categories for 1989 in *Drug Store News'* Hot Categories Study, buyers said they expect growth of 17.6 percent this year.

Peterson Drug, of Oakfield, N. Y., plans to add the new Duracell C and D four-packs to its regular promotion schedule.

"We do a tremendous job with Duracell," says Paul Lippold, Peterson's warehouse manager and buyer. The 17-store chain also carries Kodak. The brand (particularly the 9-volt lithium battery, most often bought for use in toys and fire alarms), does well when promoted, Lippold noted.

Lippold said the stores have posted 10- to 15-percent annual sales growth.

In its monthly circulars (with two in December), Peterson has featured the best-selling Duracell AA four and eight packs, two-pack Cs and Ds, and 9-volt singles.

Prices must be competitive with Fay's, CVS and Rite Aid. He promotes a C or D two-pack at \$1.69 to \$1.79, and a four-pack at \$1.99 to \$2.19.



Batteries are cross-merchandised with blank tapes on this mini-gondola in a Walgreens in Elk Grove Village outside Chicago. A buy-four-get-two-free Energizer six-pack is advertised for \$3.29.

DRUG STORE NEWS'

Top 10 Category Stats:

17% of the retail drug merchants surveyed by Drug Store News said batteries would be one of the hottest merchandising categories in 1989, with sales increasing 17.5%.

Source: Drug Store News survey

Add in the \$1 on-pack rebate and Peterson is offering a 69-cent to 79-cent price point.

Perry Drugs, in Michigan—which added Kodak to its Eveready and Duracell assortment in June—promotes batteries almost every week. The segment has seen "tremendous dollar growth," a chain spokesman said.

Such growth was fueled by adding one-fourth to one-third more footage in most

stores, and moving from free-standing endcap displays to 8- to 12-foot in-line departments.

Although competition with such chains as Target, Arbor and F&M forces Perry to hold down its prices, it still can make a 30- to 33-percent margin on batteries on promotion, he said.

The chain recently promoted a AA four-pack at \$2.09, down from \$2.99 everyday price, and a C, D, or 9-volt, regularly \$2.29, at \$1.69 to \$1.79.

"I think for the last four or five years, batteries have seen continued growth," observed May's Drugs' executive vp Russ Smith. Smith said the Tulsa, Oklahoma-based chain has posted 15-percent same-store sales growth in the category in 1988, and 35 percent to 40 percent total growth, including ten stores that were pur-



Imported plastic and metal 6 3/4 inch flashlights from 99 cents to \$1.99 are featured in a Ray-O-Vac display which fronts a horizontal center aisle at LaVerdiere's Drug's Gardiner, Me. store. A spin rack of Energizers is also in the center aisle.

chased.

May's confines its Eveready and Duracell assortment to 3- or 4-foot end racks in smaller stores, and uses an 8- to 12-foot in-line section in its larger units. Its Drug Warehouse stores carry a minimum of 12 feet, and up to 20 feet.

May's has resisted adding to the assortment, to hold down inventory investment and SKUs, and conserve space. When the chain added Eveready's "Conductor" early this year, it was at the expense of other Energizer items, Smith said. It also has kept SKUs at four-count packs or under.

Lane Drug of New Jersey promotes batteries nine times a year in a circular or coupon book, which drives movement from an 8-foot to 12-foot in-line display of Eveready and Duracell. The display is occasionally aug-

mented by floor stands, buyer Sharon Cartwright said.

The 21-store chain brought in floor stands of the Duracell C and D four-packs at Christmas season. It will retain the four-pack Cs for the everyday assortment, but drop the Ds, since Cs sell at five times the rate of the Ds, Cartwright observed.

Lane has also used floor stands of Duracell's Mallory brand at 99 cents a battery, and of Eveready's general purpose battery.

The stores feel pricing pressures from supermarkets such as Pathmark. Notable promotions have included the Energizer C and D two packs and 9-volt singles at \$1.79, with a \$1 rebate; the AA four-pack at \$2.29 with a \$1 rebate; and two packs of Duracell Cs and Ds, and the 9-volt, at \$1.99 with the \$1 rebate.

Battery sales top 3 million units

- Sales of batteries required for battery-operated devices peaked at just under 3 billion in 1987. The total is projected to top 4 billion by 1997.
- Devices that demand the most batteries are video and photography equipment, lighting devices, and audio systems.
- A typical "boom box" will play for eight hours on alkaline batteries with volume at normal level. Blasted at top volume, the playing time is reduced by about half.
- A battery's life will vary according to the device it's used in, and how the device is used. Exposure to extreme temperatures shortens battery life. As a rule, alkaline cells provide up to six times more service than zinc-carbon.
- Forty percent of all batteries are bought during the Christmas season.

Source: Duracell U.S.A.

Kodak Batteries

Alkaline	
Kodak Alkaline "C" or "D" Cell 2 pk. Pkg. Save 1.00	1.69
Kodak Alkaline "AA" 4 pk. Save 1.00	2.39
Kodak Alkaline 9-volt Single Save 80¢	1.89

DURACELL ALKALINE BATTERIES	
4 "AA" or "AAA" PACK OF 4	3.29
4 "AA" or "AAA" PACK OF 2	2.49
4 "AA" or "AAA" PACK OF 1	1.99
4 "AA" or "AAA" PACK OF 1	1.69

6 PACK ENERGIZER® C&D SIZE BATTERIES

\$4.99

SAVE EVERYDAY ON ENERGIZER!

Film develops into front-end chain staple

Film has become one of the most successful front-end staples in the nation's drug stores, with sales expected to grow another 10 percent next year atop healthy gains in 1988.

The success of a once-dormant category springs from aggressive chain drug advertising and promotion programs, along with the continuing boom in 35mm amateur photography and the advent of some new film formats in both high and low speeds.

"Film has been an excellent performer this year—so well that we've gone to a direct-deal program with it and eliminated the rack jobber we used to use," reported sundries buyer Vic Neale of the M&R Drugs chain in Michigan. "I'd say film sales are up 20 percent for us this year."

"Film did very well for us, with strong growth throughout all the formats in 1988," agreed a spokesman for Rite Aid.

Buyers attribute the gains to their own companies' more aggressive merchandising and promotional efforts. In Rite Aid's case, for instance, an increase in advertising and an increase in allotted store space for the category a year or more ago helped fuel stronger film sales.

"In most stores, we merchandise film at the front near the checkstands, and we allotted more space for it in 1987," said the Rite Aid spokesman. "The buyers felt that contributed to the gains. We're also advertising it more than we used to."

At M&R, Neale said the category took off after the chain boosted ad lineage for film in both its circulars and ROP ads. "We're pushing it a lot heavier than we used to, and we're probably going to be even more aggressive with it next year," he said. "We've also gone from using gravity-fed slide displays to pegboards for film, and it gives them a more impulse-oriented look behind the checkout counter."

M&R "meets the competition" on price in film, and draws traffic with a "very price-conscious" and competitive approach to photofinishing. A secondary location for film at the photofinishing service counter also helps boost sales, Neale said.

In M&R, Rite Aid and many other chains, film has made a very successful migration over the years to the front of the store, at or near



LaVerdiere's, Gardiner, Me., considers its checkstands a primary location for merchandising film, photofinishing and a movie film-to-videotape transfer service.

the checkstands. Other chains which have switched locations for film, or added a second location, include Arbor Drug, Rix-Dunnington and Fruth Pharmacy.

"We give film and batteries a massive presentation behind the checkout counter," noted Steve Sorokin, vp-merchandising for Rix.

"We used to keep it behind the register counter, but this past year we put it out front on a rack near the checkstand, where customers can get to it," added a spokesman for Fruth. "It does better there as a pegged item."

Fruth enjoys strong film sales even without heavy discounting or promotion in its West Virginia market, the buyer added. "It's been years since we've promoted film."

At Fruth, the top-selling film format is 100-speed, 24-exposure 35mm print film. Neale, on the other hand, reports that 200-speed rolls of 24 exposures is the best performer at M&R.

Private label film also remains a standout performer for many drug chains. Retailers like Perry and Longs have revamped their packaging for private label, including film, and sparked healthy sales gains.

Most film purchases made by women

Nearly two-thirds of all film buyers are women, according to the most recent survey of consumer buying habits by the Photo Marketing Association. Women take care of the film needs of 63.3 percent of all American households, the PMA reports in its 1988 Consumer Photographic Survey.

Drug chains can take some solace from those findings, but the survey also indicates that discount department stores remain way out in front as the preferred outlet for stocking up on film. Drug stores remain in second, ahead of supermarkets and other outlets.

The study, which looked at the photo buying habits of 5,000 U.S. households, also found that Americans buy their film most often on a regular basis while doing their regular family shopping. Not surprisingly, film purchases peak just before special events and vacations, but the study also found a strong incidence of film purchase by Americans both when they drop off film for processing, and when they pick up the finished prints.

Americans who own cameras continue to use them, the study also found. Nearly all the 91.9 percent of U.S. households that own a camera purchased film over the past 12 months, the PMA reports. In addition, 80 percent of those households stocked up on film at mass merchandise outlets like discount, drug and food stores.



Multipacks are displayed prominently in single-category checkstand endcap at Eckerd, Clearwater, Fla.

DRUG STORE NEWS

Top 10 Category Stats:

17% of the retail drug merchants surveyed by Drug Store News said film would be one of the hottest merchandising categories in 1989, with sales increasing 10.0%.

Source: Drug Store News survey

Where American families buy film

Outlets	Percent of households
Discount stores	38.8%
Drug stores	24.5
Supermarkets	13.5
Camera store	4.6
Giant combo stores	4.5
Department stores	3.8
Mail	3.7
One-hour photo labs	1.4
Drive-up film drops	1.2
Catalogue showrooms	1.1
Convenience store	0.6
Other	2.3

Based on survey of buying preferences of 5,000 consumer households.

Source: Photo Marketing Association

Film formats used in households

(in percent)

35mm color print	58.6%
110	35.7
Disc	19.7
Instant print	16.1
126	11.5
35mm slide	9.8
Other	3.1

Source: PMA 1988 survey

Customer loyalty! Retailers report 90% repeat purchase rate.

HERPECIN-L[®]

Cold Sore Lip Balm. "It Works!"

Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

TRENDS

What's hot and why in the consumables category

By Richard Lawrence

Packaged goods introductions in 1988 are down 5 percent from 1987's all-time record. A good indicator of a hot product category is continued growth of new products running counter to the total trend.

Where this is happening the reasons are usually obvious. There are a handful of reasons driving innovation across a wide range of consumables:

- Because time is precious for working families, improved convenience in all its forms sells new products.

- Though there is often a gap between what people say and what they do, new products that offer healthier alternatives meet the needs of today's lifestyles.

- Successful new products no longer appeal to everyone. We've become a nation of individualists seeking products that are "right for me," not everyone else. This has led to more choices and improved product quality.

It's hard to find a hot category in consumables where these factors aren't at work.

The baby boomlet among older, more affluent parents has quickened the pace and changed the direction of childcare introductions. Alarming reports about increasing rates of skin cancer have spurred growth and segmentation in new sun care products. Fear of AIDS has awakened interest in new condoms. As consumers' fo-

cus shifts to preventive medicine, self-diagnostic medical kits are finding a market.

Here are some of the hottest categories in consumables in terms of new products and the factors that are affecting them.

Snack, convenience foods

Fragmented eating patterns have blurred the distinctions between meals, light meals and snacks. Relative increases in introductions of traditionally defined snack foods—snacks, snack bars, popcorn, nuts and chips—have just exceeded increases in total new foods in years and in 1988 fell slightly behind. A better gauge of the hot trends in foods is to track microwaveable, single-serve, and finger-food introductions. All of the introductions are on steep upward curves.

Baby care

Annual birthrates in the mid-'80s are running 25 percent higher than in the previous decade as baby boomers of the '50s create their own baby boomlet. More babies, plus the fact that over 50 percent of mothers now return to work shortly after giving birth, has increased the demand for products that make baby care and parenting more convenient. Parents who are older, more affluent, and more demanding than in the past has encouraged upscale new products that focus on quality, healthfulness, and greater choice.

Diagnostic tests

Technologies which were once accessible only through health professionals in a hospi-

tal or doctor's office are now available to lay people in their homes. This coincides with a growing emphasis on wellness and preventive medicine.

Introductions of self diagnostic tests are still small in number but their ease of use and variety is increasing.

Family planning

Some of the new products under this heading are covered in the previous paragraph on pregnancy and ovulation tests.

More conventionally there have been increases in the number of new condoms. The total numbers are small but we expect the trend to continue as awareness grows of the danger of contracting AIDS.

Marketing and product innovations for condoms include products for women and teenage buyers, products with antiviral spermicides, products which seal to the skin, and extra strength products.

Sun care

Alarming reports linking the increase in the rate of skin cancer with the predilection for suntanning is a primary cause of the startling 40-percent growth rate in new sun care products since 1984.

How have marketers sought to distinguish their entries? SPF's have climbed from a maximum of 15 in 1984 to 44 in 1988. "All over" products are no longer the norm. Consumers can choose from sunscreens especially for the face, lips, nose, under eyes, chest, scalp or hair. There are products just for babies, children, teens, men, or swimmers; for those who want

Baby care product introductions

	1984	1985	1986	1987	1988
Baby foods	9	4	6	8	19
Baby products	41	32	40	41	51
Total	50	36	46	49	70

Source: Marketing Intelligence Service, Ltd.

Diagnostic test product introductions

	1984	1985	1986	1987	1988
Pregnancy, ovulation	3	2	6	5	8
All others*	—	11	5	2	4
Total	3	13	11	7	12

*Includes self tests for blood alcohol, fecal blood, bowel toxicity, bowel transit time, vitamin C, calcium, sodium, urine nitrite, strep throat, heart disease, and gonorrhea. Tests for cholesterol are expected very shortly. Blood glucose tests are not listed as they are largely merchandised behind pharmacy counters.

Source: Marketing Intelligence Service, Ltd.

Sun care product introductions

	1984	1985	1986	1987	1988
Sun care products	26	35	66	88	104

Source: Marketing Intelligence Service, Ltd.

to tan in the sun, under artificial light, or get a tan without any ultraviolet exposure.

Today's complete sunbather also needs before-, during-, and after-exposure products. For those concerned about the sun's aging effects, there are products with collagen. There are now several lines of makeup that double as sunscreens and decorator sunblocks for truly distinctive effects. Portable packaging ideas run the gamut from standard sticks and sprays to bracelets, towelettes,

and even a radio with a built-in sunscreen dispenser.

It is hard to believe that any wants remain unfilled in this category. But concerns with the harmful effects of the sun seem set to increase, rather than diminish, with ongoing predictions of the vanishing ozone layer in the stratosphere and climatic warming. We've already seen one new product for everyday use against background ultraviolet light. Routine protection such as this could become more common.

Richard Lawrence is president of Marketing Intelligence Service, Ltd., Naples N.Y.

BEAUTY TRENDS

Study shows sun care to continue growth in '89

Elsewhere in this issue, you'll read the results of *Drug Store News'* Hot Categories Study of chain drug merchants.

That survey is designed to help us identify the 10 fastest growing categories in chain drug stores, and sun care was singled out as a strong growth area.

Fifty-four percent of the buyers surveyed picked sun care as a strong growth category, and they estimated that sun care would go up again in 1989 by an average of about 15 percent.

Their confidence in the category is all the more impressive because sun care has been showing strong growth for at least three years now, and it would be understandable if buyers should start to think the category was peaking.

After all, how long can chains go on generating growth surges of 20 percent, 30 percent and even better and still think the category has room for more growth.

However, where sun care is concerned, buyers are optimistic and they say it is because consumers keep showing more and more concern about potential sun damage.



The danger of sun exposure has gotten so much publicity and people are so afraid of developing cancer or at best, wrinkles, that buyers say there is still room for several more years of aggressive growth.

Buyers also think there is room for growth in related categories that lend themselves to sun protection benefits, such as moisturizers and facial makeups.

The high SPF sunblocks are the fastest growing segment of sun care, but oddly enough their use in a formula for a beauty care product hasn't quite caught on with consumers yet.

Surprisingly, most chains report only mediocre activity on foundation products with sun protection. Yet many buyers say they think this niche

has potential for faster growth, and several said that if the manufacturers got behind their lines with more aggressive advertising that would explain the products, then sales could be much better.

Forecasting trends in '89

One source for a northeastern drug chain said she felt 1989 will be much more promising for these brands. For one thing, Max Factor will be advertising Sun Smart more often and they will break their ads earlier in the season.

This buyer said she intends to help sales by advertising Sun Smart herself early in the season. "Last year, I waited until the fourth of July to break the ad, and that was too late," she said. "This year, I'll break an ad around Memorial Day and I'll end cap Sun Smart, and maybe include the Almay brands on the end so people will start to understand what they're for."

She also said she was thinking of bringing in the Physician's Formula Sun Shield line so her stores would have a stronger "presence" in this segment.

"It takes education to get the cus-

tomers aware of what these brands are," she said, "but I think this segment has promise, and I think the turning point could come this year."

Buyers are also optimistic about the evolution of sun protection factors into moisturizers and other skin care products.

One source called this latest transition, which to a certain extent blurs the line between a sun care and a skin care product, "innovative," and said he felt it would result in faster growth for skin care items.

"The high SPF factors are what is fueling the growth in sun care," he said, "so it's logical that their presence in the formulas of skin care and cosmetic products could have the same impact on these categories."

Several buyers also said they plan to advertise some of the new products coming out in this segment, especially the new Neutrogena Moisture SFP 15 with a sheer tint and Keri's Anti-Aging Moisturizing Lotion, which is formulated with sunscreens. Westwood, which makes Keri, says the sunscreens are in the formula to protect the skin against harmful UVB and UVA rays which may cause premature aging.